

FINANCIAL PREPARATION CHECKLIST

School Districts in the State of Georgia are required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) establishes accounting and reporting standards for state and local government entities. GASB Statement 34 provides a financial reporting model that management of the school district is required to use for presentation of their statements. The following checklist was designed to assist School Districts in the preparation of financial statements under the GASB 34 reporting model.

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This checklist relates specifically to the preparation of the District-Wide Financial Statements for Georgia School Districts.

District-Wide Financial Statements

The District-Wide financial statements include two statements, the Statement of Net Position and the Statement of Activities. These Statements include information about two types of activities that take place at the School Districts – Governmental and Business Type Activities.

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to employees, students or to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each different business-type activity of the School District and each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

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- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Preparing the District-Wide Statements from the Fund Statements

The District-Wide Statements can be created by starting with Fund Statements (Governmental – General Fund, Capital Projects, and Debt Service & Proprietary – Internal Service Fund and Enterprise Fund) and making various entries to recognize activity needed to present the statements using the economic resources measurement focus and the accrual basis of accounting.

☐ ***Consider Adjustments to Fund Based Statements***

If you have used the Fund Statement Section of this checklist and made any entries to the Fund Statements, the first step is to consider the impact of those entries on the District-Wide Statements. For example, if a receivable had to be recorded on the Fund Statements, it is very likely that the receivable must be recorded on the District-Wide Statements as well.

- ☐ Adjusting Entries for Converting from Modified Accrual to Full Accrual - The following entries are needed to convert the fund statements into the District-Wide Statements. Some of the entries are made on the statements from GDOE; other entries must be made by the entity.

Entries already made to the Statements produced by GDOE

(If information was properly reported to GDOE)

☐ ***Program Revenue must be matched to functional expenses.***

GDOE systematically creates an allocation of the program revenue to the various functions. The allocation is based on the percentage of each functional expense to total expenses for each program. The appropriate entry would be similar to the following.

| | | |
|---|---|---|
| State Revenue (Per Exhibit E) | X | |
| Federal Revenue (Per Exhibit E) | X | |
| Operating Grants & Contributions – Instruction | | X |
| Operating Grants & Contributions – Pupil Services | | X |
| Operating Grants & Contributions - | | X |

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☐ *Capital Grant Revenue must be matched to functional expenses.*

GDOE systematically creates an allocation of the program revenue to functional expenses. The allocation is based on the percentage of depreciation expense by function (except for pupil transportation) to total depreciation expense. The appropriate entry would be similar to the following.

| | | |
|--|---|---|
| State Revenue | X | |
| Capital Grants & Contributions - Instructional | | X |
| Capital Grants & Contributions - Imp of Instructional Services | | X |

Record Capital Lease Activity

On the **District-Wide Statements**, if the School District has had Capital Lease activity in prior years, the prior year's ending liability balance must be reestablished as it is not included on the Governmental Fund Statements. This entry will assist in tying the beginning net position balance to the prior year audited balance. GDOE recorded this entry using data from Fund 900 on the DE046.

| | | |
|-------------------------|---|---|
| Beginning Net Position | X | |
| Capital Lease Liability | | X |

For additions, on the **Governmental Fund Statements**, in the year of inception, an entry is made to expense the entire principal of the lease and to recognize an Other Financing Source for the entire principal. (See below)

| | | |
|---|---|---|
| Expense for Proper Function | X | |
| Other Financing Source – Capital Leases | | X |

On the **District-Wide Statements**, this activity should be recognized as a Liability and the Other Financing Source must be reversed.

| | | |
|---|---|---|
| Other Financing Source – Capital Leases | X | |
| Capital Lease Liability | | X |

The Capital Lease payments are recorded on the **Governmental Fund Statements** as expenditures when paid.

| | | |
|--|---|---|
| Debt Service – Capital Lease Principal Payment | X | |
| Cash | | X |

However, for the **District-Wide Statements**, the payment is removed from the expense used and is shown as a reduction of the capital lease liability.

| | | |
|--|---|---|
| Capital Lease Liability | X | |
| Debt Service – Capital Lease Principal Payment | | X |

Where capital leases are for capital assets, an additional entry must be made to add the capital asset to the District-Wide Statements. See the entries to record capital assets below.

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☐ *Record Capital Assets*

On the **District-Wide Statements**, the prior year ending Capital Asset balance must be reestablished as the Capital Assets are not included on the Governmental Fund Statements. GDOE recorded this entry using the balances in Fund 800 on the DE046.

| | | |
|---|---|---|
| Capital Assets – Land | X | |
| Capital Assets – Buildings | X | |
| Capital Assets – Equipment | X | |
| Capital Assets - Land Improvements | X | |
| Construction in Progress | X | |
| Capital Assets - Accumulated Depreciation | | X |
| Beginning Net Position | | X |

As capital assets are purchased for the School District, the purchase is recorded on the **Governmental Fund Statements** as expenditure for Capital Assets.

On the **District-Wide Statements**, however, the expenditure must be removed and an Asset added.

| | | |
|--|---|---|
| Capital Assets – Land | X | |
| Capital Assets – Buildings | X | |
| Capital Assets – Equipment | X | |
| Capital Assets – Land Improvements | X | |
| Capital Assets – Intangible Assets | X | |
| Construction in Progress | X | |
| Instruction | | X |
| Maintenance and Operation of Plant | | X |
| Student Transportation Services | | X |
| Food Service Operations | | X |
| Land, Building & Equipment Acquisition | | X |

Additionally on the **District-Wide Statements**, Capital Assets should be depreciated over their life in line with the School District's capitalization policy. The depreciation should be taken directly against the function for which the asset benefits, or should be reasonably allocated among the functions.

| | | |
|---|---|---|
| Instruction | X | |
| Improvement of Instructional Services | X | |
| Educational Media Services | X | |
| General Administration | X | |
| Business Administration | X | |
| Maintenance and Operation of Plant | X | |
| Student Transportation Services | X | |
| Food Service Operations | X | |
| Capital Assets - Accumulated Depreciation | | X |

As capital assets are deleted, the asset and associated accumulated depreciation must be removed from the **District-Wide Statements** and a Gain or Loss recognized for the difference.

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| | | |
|---|---|---|
| Capital Assets - Accumulated Depreciation | X | |
| Gain/Loss on Capital Assets | X | X |
| Capital Assets – Buildings | | X |
| Capital Assets – Equipment | | X |

Where capital assets are sold, on the **Governmental Fund statements**, cash and an “other financing source” is recognized.

| | | |
|---|---|---|
| Cash | X | |
| Other Financing Sources – Sale of Capital Asset | | X |

On the **District-Wide Statements**, the other financing source must be removed. Additionally, the capital asset and associated accumulated depreciation should be removed. The residual should be recognized as a gain or loss on the sale of capital assets.

| | | |
|---|---|---|
| Other Financing Sources – Sale of Capital Asset | X | |
| Capital Assets - Accumulated Depreciation | X | |
| Gain/Loss on Capital Assets | X | X |
| Capital Assets – Buildings | | X |
| Capital Assets – Equipment | | X |

The Capital Outlay function is not reported on the **District-Wide Statements**, and, if not removed when recording capital assets, must be reasonably allocated to the other functions. A common method would be to use the allocation percentages used when allocating depreciation expense.

| | | |
|---------------------------------------|---|---|
| Instruction | X | |
| Improvement of Instructional Services | X | |
| Educational Media Services | X | |
| General Administration | X | |
| Business Administration | X | |
| Maintenance and Operation of Plant | X | |
| Student Transportation Services | X | |
| Food Service Operations | X | |
| Capital Outlay Function | | X |

GDOE's Process for Recording Capital Assets

In order to produce the Statement of Net Position and the Statement of Activities, GDOE systematically creates the entries above using the balances in Fund 800 and activity maintained in the Governmental Fund Statements. The beginning balance is mapped from Fund 800 information on the DE046. The Statement of Net Position reflects the ending balances of the Asset Accounts in Fund 800, which includes both additions and deletions that occurred during the Fiscal Year. On the Statement of Activities, Expenses are adjusted for the net change in the Capital Asset balances. To accomplish this, GDOE removes all activity in Function 4000 (Capital Outlay) and any activity in the 700 objects in any other function. This will remove any expense for additions in capital assets. This activity is backed out of the net change and the remaining balance is allocated back to the functions. The reallocation is made up of any deletions and any items not capitalized by the School District, posted to the Function and Objects for capitalized items in error.

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☐ *Compensated Absences*

Compensated Absences are not expected to be liquidated with current available financial resources and, therefore, are not reported as liabilities on the Governmental Fund Statements. However, all liabilities should be reported on the **District-Wide statements**.

On the **District-Wide statements**, if the School District had a compensated absences liability in the prior year, the beginning balance of the liability must be reestablished as it is not on the Fund-Based Statements. GDOE recorded this activity from information in Fund 900.

| | | |
|------------------------------|---|---|
| Beginning Net Position | X | |
| Compensated Absences Payable | | X |

To record the current compensated absences activity, the additions/deductions must be expensed against the appropriate functions and a long-term liability created, decreased, or increased. GDOE allocates the net change in compensated absences to expense by Function.

| | | |
|------------------------------------|---|---|
| General Administration | X | |
| School Administration | X | |
| Maintenance and Operation of Plant | X | |
| Compensated Absences Payable | | X |

☐ *Bonds*

On the **District-Wide statements**, if the School District sold bonds in previous years and carries a balance for the remaining principal of the Bonds, an entry must be made to reestablish the prior year balance. GDOE records this balance using information from Fund 900 on the DE046.

| | | |
|---|---|---|
| Beginning Net Position | X | |
| Long Term Liability – Discount on Bonds | X | |
| Long Term Liability – Bonds | | X |
| Long Term Liability – Premium on Bonds | | X |

When Bonds are sold, the proceeds must be recognized on the **Governmental Fund Statements** in the year of issuance. Bond Proceeds should be recorded at Par Value. An Other Financing Source should be recognized for any Bond Premium and an Other Financing Use should be recognized for any Bond Discount.

| | | |
|--|---|---|
| Cash | X | |
| Other Financing Use – Discount | X | |
| Other Financing Source – Bond Proceeds | | X |
| Other Financing Source – Premium | | X |

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On the **District-Wide statements**, the Other Financing Source - Bond Proceeds must be removed and a Liability Account created. The Discount and/or Premium must be amortized. The Other Source or Use must be removed and the unamortized portion netted against the Long Term Liability.

| | | |
|---|---|---|
| Other Financing Source – Bond Proceeds | X | |
| Other Financing Source – Bond Premium | X | |
| Long Term Liability – Discount on Bonds | X | |
| Other Financing Use – Bond Discount | | X |
| Long Term Liability - Bonds | | X |
| Long Term Liability – Premium on Bonds | | X |

Payments against the Bonds made during the year are recorded as expenditures on the **Governmental Fund Statements**.

| | | |
|--------------------------|---|---|
| Debt Service - Principal | X | |
| Debt Service - Interest | X | |
| Cash | | X |

Example 1: Bonds Issued at Par - On the **District-Wide Statements**, the payment should be a reduction of the Bond Liability and the expense removed.

| | | |
|-----------------------------|---|---|
| Long Term Liability - Bonds | X | |
| Debt Service - Principal | | X |

Example 2: Bonds Issued at a Premium - On the **District-Wide Statements**, when recording payments for **Bonds issued at a Premium** during the year, the payment should be a reduction of the Bond Liability and the principal expense recognized on the Fund Statements should be removed. The premium liability is reduced by the amount of the current year amortization and recognized as a reduction of interest expense. The current year amortization is charged to Interest Expense on Debt.

| | | |
|-------------------------------|---|---|
| Long Term Liability - Bonds | X | |
| Long Term Liability - Premium | X | |
| Interest Expense on Debt | | X |
| Debt Service - Principal | | X |

Example 3: Bonds Issued at a Discount - On the **District-Wide Statements**, when recording payments for **Bonds issued at a Discount** during the year, the payment should be a reduction of the Bond Liability and the principal expense recognized on the Fund Statements should be removed. The discount liability is credited by the amount of the current year amortization, and interest expense should be recognized. The current year amortization is charged to the Interest Expense on Debt.

| | | |
|--------------------------------|---|---|
| Interest Expense on Debt | X | |
| Long Term Liability - Bonds | X | |
| Long Term Liability - Discount | | X |
| Debt Service - Principal | | X |

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Bond Issuance Costs

Regardless of whether the bond is issued at Par, at a Premium or at a discount, the bond issuance costs should be expensed on both the **District Wide Statements** and the **Governmental Fund Statements**. These expenses will probably be removed from the total cash received from the sale of bonds, but Bond Proceeds should be recognized for the full amount of Par Value. (Note: This entry may be combined with the entry to record the bond proceeds.)

| | | |
|-------------------------------------|---|---|
| Business Admin - Bond Issuance Cost | X | |
| Cash | | X |

NOTE: GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*, paragraph 15 alters the manner in which Bond Issuance Costs are recorded on the District-wide Statements. The GASB Board concluded that most debt issuance costs do not meet the definition of an asset because the costs incurred do not result in future service capacity that the government presently controls. Therefore, the debt issuance costs do not meet the definition of a deferred outflow of resources because the costs are not applicable to a future period. Beginning in FY 2014, which the implementation of GASB 65, the debt issuance costs, except any portion related to prepaid insurance costs, will be recognized as an expense in the period incurred.

Refunding Bonds

When Refunding Bonds are sold, the proceeds must be recognized on the **Governmental Fund Statements** in the year of issuance.

| | | |
|---|---|---|
| Cash | X | |
| Debt Service - Refunding Bond Issuance Cost | X | |
| Other Financing Source – Refunding Bond Issue | | X |

Refunding bonds are remitted to the bond escrow agent from the refunding bond proceeds and other debt service funds if applicable. These transactions must be recognized on the **Governmental Fund Statements**.

| | | |
|---|---|---|
| Debt Service - Advance Refunding Escrow | X | |
| Other Financing Use – Payment to Refunded Bond Escrow Agent | X | |
| Cash | | X |

On the **District-Wide Statements**, the Debt Service Expense and Other Financing Sources and Uses must be removed. The expenses and any difference between the net carrying value of the debt being refunded and its reacquisition price must be set up as deferred inflows or outflows and amortized over the life of the bonds. In order to post refunding bonds, the following entry must be made:

| | | |
|---|---|---|
| Business Administration Expense – Issuance Costs | X | |
| Deferred Outflows/Inflows – Refunding (possibly a credit if a loss) | X | |
| Long Term Liability - Bond (Old) | X | |
| Other Financing Source – Refunding Bond Issue | X | |
| Debt Service - Refunding Bond Issuance Costs | | X |
| Debt Service - Advance Refunding Escrow | | X |
| Other Financing Use – Payment to Refunded Bond Escrow Agent | | X |
| Long Term Liability – Bonds (New) | | X |

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To reduce amortized amounts for refunding bonds in subsequent years, the deferred inflows/outflows are posted to the Business Admin Function. Any premium or discount (shown below) is posted to Interest on Debt.

| | | |
|---|---|---|
| Interest on Debt | X | |
| Business Admin Costs | X | |
| Deferred Outflows/Inflows – Refunding | | X |
| Long Term Liability – Discount on Bonds | | X |

GDOE has posted the balances on the Bonds, depending on the entries made by the School District on the governmental funds, there may be reclassification entries needed on the **District-Wide Statements**. All entries related to amortization of premiums, discounts, or deferred outflows/inflows will need to be made on the District-Wide Statements as these items are expensed on the Governmental Fund Statements.

Entries that should be made to the Statements produced by GDOE.

The following group of entries must be made by the LEA to the Statements produced by GDOE, they have not been recorded.

☐ *Tie Beginning Balances to Prior Year Ending Balances per Audit*

Ensure the beginning net position ties to the prior year audited financial statements. Post entries to the template to tie to the beginning balance for entries you made to fund balance accounts during the year or prior year audit entries. On the Financial Statements produced by GDOE, there is an adjustment figure that should be reclassified to the appropriate location when tying-in beginning net position.

☐ *Bond Entries*

Review Bond Entries discussed in the previous section and determine whether any reclassification entries are needed. Consider the need to amortize premiums, discounts, or gain/losses on refunding debt.

☐ *Property Tax Receivable*

Property tax receivables are for those uncollected taxes for which an enforceable legal claim exists at fiscal year-end. An enforceable legal claim exists on the levy date. The receivable posted to the Governmental Fund Financial Statements and the District Wide Financial Statements should be the same amount, the total delinquent taxes at June 30th. The difference between the two sets of statements is in the **revenue recognition** criteria. On the Governmental Fund Financial Statements, which report on the modified accrual basis of accounting, standards provide that only 60 days of the property tax receivable may be recognized as revenues at fiscal year-end, with the remaining balance reflected as a Deferred Revenue liability. On the District Wide Financial Statements, which report on the full accrual basis of accounting, revenues are recorded for the total balance of the Property Taxes receivable.

Below are four examples of the proper recording of Property Taxes Receivable (including Delinquent Taxes) on the Governmental Fund Financial Statements and the District Wide Financial Statements.

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Example 1: Assuming the LEA posted a receivable for the property taxes received within 60 days of June 30th to the general ledger.

This entry posts the additional delinquent taxes that were **not** received within 60 days and were **not** posted to the general ledger to the **Governmental Fund Financial Statements**.

| | | |
|-------------------------------|---|---|
| Accounts Receivable - Taxes | X | |
| Deferred Inflows of Resources | | X |

In the **District Wide Financial Statements**, an initial entry must be posted to tie in the beginning net position for the portion of the prior year delinquent tax that was only recognized at the District wide level.

| | | |
|-----------------------------|---|---|
| Property Tax – M&O | X | |
| Property Tax – Debt Service | X | |
| Beginning Net Position | | X |

An additional entry is necessary on the **District Wide Financial Statements** to post the additional delinquent taxes that were **not** received within 60 days and were **not** posted to the general ledger.

| | | |
|-----------------------------|---|---|
| Accounts Receivable – Taxes | X | |
| Property Tax – M&O | | X |
| Property Tax – Debt Service | | X |

If the Debt Service revenue is increased, the Net Position Restricted for Debt Service should be increased for the same amount on the **District Wide Financial Statements**.

| | | |
|---|---|---|
| Net Position, Unrestricted | X | |
| Net Position, Restricted For Debt Service | | X |

Example 2: Assuming the LEA accrued the total amount of delinquent taxes (including deferred outflows for portion not received within 60 days) at June 30th on the general ledger.

No entries would be necessary on the **Governmental Fund Financial Statements**.

In the **District Wide Financial Statements**, an initial entry must be posted to tie in the beginning net position for the portion of the prior year delinquent tax that was only recognized at the District wide level.

| | | |
|-----------------------------|---|---|
| Property Tax – M&O | X | |
| Property Tax – Debt Service | X | |
| Beginning Net Position | | X |

On the **District Wide Financial Statements**, an entry is necessary to remove the Deferred Outflow of Resources posted to the general ledger for those delinquent taxes not received within 60 days of June 30th.

| | | |
|-------------------------------------|---|---|
| Deferred Outflow of Resources | X | |
| Property Tax Revenue – M&O | | X |
| Property Tax Revenue – Debt Service | | X |

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If the Debt Service revenue is increased, the Net Position Restricted for Debt Service should be increased for the same amount on the **District Wide Financial Statements**.

| | | |
|---|---|---|
| Net Position, Unrestricted | X | |
| Net Position, Restricted For Debt Service | | X |

Example 3: Assuming the LEA did not accrue any portion of the delinquent property taxes on the general ledger.

On the **Governmental Fund Financial Statements**, an entry is necessary to accrue the total delinquent property taxes as of June 30th. The portion that is not expected to be received within 60 days should be deferred.

| | | |
|--------------------------------|---|---|
| Accounts Receivable – Taxes | X | |
| Deferred Outflows of Resources | | X |
| Property Taxes – M&O | | X |
| Property Taxes – Debt Service | | X |

If the Debt Service revenue is increased on the **Governmental Fund Financial Statements**, the Fund Balance Restricted for Debt Service should also be increased.

| | | |
|---|---|---|
| Fund Balance, Unassigned | X | |
| Fund Balance, Restricted for Debt Service | | X |

In the **District Wide Financial Statements**, an initial entry must be posted to tie in the beginning net position for the portion of the prior year delinquent tax that was only recognized at the District wide level.

| | | |
|-----------------------------|---|---|
| Property Tax – M&O | X | |
| Property Tax – Debt Service | X | |
| Beginning Net Position | | X |

On the **District Wide Financial Statements**, the total delinquent taxes at June 30th should be accrued.

| | | |
|-------------------------------|---|---|
| Accounts Receivable – Taxes | X | |
| Property Taxes – M&O | | X |
| Property Taxes – Debt Service | | X |

If the Debt Service revenue is increased, the Net Position Restricted for Debt Service should be increased for the same amount on the **District Wide Financial Statements**.

| | | |
|---|---|---|
| Net Position, Unrestricted | X | |
| Net Position, Restricted For Debt Service | | X |

Example 4: Assuming the property taxes collected within 60 days of June 30th were posted to the general ledger and are greater than the total delinquent taxes at June 30th. The taxes collected within 60 days could be greater than the delinquent taxes because not all taxes collected in July and August are for delinquent property taxes. If the taxes were not delinquent at June 30th, then the taxes collected in July and August are technically not earned during the fiscal year and should not be accrued.

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On the **Governmental Fund Financial Statements**, an entry is necessary to adjust the property taxes accrual to the total delinquent property taxes as of June 30th. Since the portion received within 60 days is greater than the delinquent amount, there is no revenue deferred at June 30th.

| | | |
|-------------------------------|---|---|
| Accounts Receivable – Taxes | | X |
| Property Taxes – M&O | X | |
| Property Taxes – Debt Service | X | |

If the Debt Service revenue is decreased on the **Governmental Fund Financial Statements**, the Fund Balance Restricted for Debt Service should also be decreased.

| | | |
|---|---|---|
| Fund Balance, Unassigned | | X |
| Fund Balance, Restricted for Debt Service | X | |

In the **District Wide Financial Statements**, an initial entry must be posted to tie in the beginning net position for the portion of the prior year delinquent tax that was only recognized at the District wide level.

| | | |
|-----------------------------|---|---|
| Property Tax – M&O | X | |
| Property Tax – Debt Service | X | |
| Beginning Net Position | | X |

On the **District Wide Financial Statements**, the accounts receivable should be adjusted to include only the delinquent taxes at June 30th.

| | | |
|-------------------------------|---|---|
| Accounts Receivable – Taxes | | X |
| Property Taxes – M&O | X | |
| Property Taxes – Debt Service | X | |

If the Debt Service revenue is decreased, the Net Position Restricted for Debt Service should be decreased for the same amount on the **District Wide Financial Statements**.

| | | |
|---|---|---|
| Net Position, Unrestricted | | X |
| Net Position, Restricted For Debt Service | X | |

NOTES to Remember:

When accounting for the Property Taxes, please remember that the administration fee will also be withheld from the delinquent taxes when paid. This means the entire delinquent taxes due at June 30th would not be accrued, the administration fee is also withheld. *Pay attention to the levy date that is set for each calendar year. Taxes are considered measurable from the levy date. If the levy date for the most recent calendar year is before June 30th, additional tax revenue must be accrued (and deferred on the governmental funds).*

☐ **SPLOST Tax Receivable**

SPLOST sales tax receivables are for those sales taxes which occurred prior to June 30th. SPLOST sales tax receivables should be accrued for those SPLOST revenues received in the subsequent period for sales taxes collected prior to June 30th. In previous fiscal years, the July and August SPLOST receipts were accrued at June 30th because the majority of the sales tax disbursements were two months after the month the taxes were collected on the underlying sale.

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DoAA has determined that the financial statements are materially correct if the revenue received through July is accrued on both the **Governmental Fund Financial Statements** and the **District-Wide Financial Statements**. This rationale means that the same amount of Receivable and Revenue will be posted on both statements and Deferred Revenue will not be recorded on the **Governmental Fund Financial Statements**.

For consistency, GDOE has requested that the School Districts only post July receipts in the subsequent period to the DE0046. This is to ensure, for LOST, the financial statements are consistent between fiscal years and the equalization calculation is not affected.

SPLOST sales tax revenue is defined as derived tax revenue. Derived tax revenue should be recognized as an asset and as revenue during the period the exchange transaction occurred. Derived tax revenues generally do not have time requirements. However, the asset and revenue recognition should be consistent with the requirements for imposed nonexchange revenue transactions (property taxes). See the explanation for accounting for property taxes above.

Example 1: The School District did not record any SPLOST sales taxes received in the subsequent period on the general ledger.

On the **Governmental Fund Financial Statements**, an entry is necessary to accrue the total amount of sales tax revenue earned as of June 30th but distributed through July of subsequent period.

| | | |
|-----------------------------|---|---|
| Accounts Receivable – Taxes | X | |
| SPLOST Sales Tax Revenue | | X |

The Fund Balance, Restricted for Capital Projects, should also be increased by the amount of revenue recorded above.

| | | |
|---|---|---|
| Fund Balance, Unassigned | X | |
| Fund Balance, Restricted for Capital Projects | | X |

On the **District Wide Financial Statements**, the Accounts Receivable and Sales Tax Revenue should be increased for the amount of sales tax earned prior to June 30th but collected through July of the subsequent period.

| | | |
|-----------------------------|---|---|
| Accounts Receivable - Taxes | X | |
| SPLOST Sales Tax Revenue | | X |

The Net Position, Restricted for Capital Projects, should be increased by the same amount on the **District Wide Financial Statements**.

| | | |
|--|---|---|
| Net Position - Unrestricted | X | |
| Net Position – Restricted for Capital Projects | | X |

☐ *Title Ad Valorem Tax Receivable*

Title Ad Valorem Tax (TAVT) receivables are for those motor vehicle sales taxes which occurred on or after March 1, 2013, and prior to June 30th. TAVT receivables should be accrued for those revenues received in the subsequent period for sales that occurred prior to June 30th.

FINANCIAL PREPARATION CHECKLIST

DoAA has determined that the financial statements are materially correct if the revenue received through July is accrued on both the **Governmental Fund Financial Statements** and the **District-Wide Financial Statements**. This rationale means that the same amount of Receivable and Revenue will be posted on both statements and Deferred Revenue will not be recorded on the **Governmental Fund Financial Statements**.

For consistency, GDOE has requested that the School Districts only post July receipts in the subsequent period to the DE0046. This is to ensure the financial statements are consistent between fiscal years and the equalization calculation is not affected.

Title Ad Valorem Tax revenue is not considered a sales tax. The asset and revenue recognition should be consistent with the requirements for imposed nonexchange revenue transactions (property taxes). See the explanation for accounting for property taxes above.

Example 1: The School District did not record any TAVT received in the subsequent period on the general ledger.

On the **Governmental Fund Financial Statements**, an entry is necessary to accrue the total amount of title ad valorem tax revenue earned as of June 30th but distributed through July of subsequent period.

| | | |
|----------------------------------|---|---|
| Accounts Receivable – Taxes | X | |
| Property Taxes, For M&O, Revenue | | X |

On the **District Wide Financial Statements**, the same entry is necessary to accrue the total amount of TAVT revenue earned as of June 30th but distributed through July of the subsequent period.

| | | |
|----------------------------------|---|---|
| Accounts Receivable - Taxes | X | |
| Property Taxes, For M&O, Revenue | | X |

☐ **Net Pension Liability**

GASB 68, Accounting and Financial Reporting for Pensions, and GASB 71, Pension Transition for contributions Made Subsequent to the Measurement Date, requires the reporting of the pension liability that is provided to employees through pension plans administered through a trust, a restatement to beginning net position, as well as, recognizes the deferred outflows and inflows of resources related to pensions. The entries below should be made to the financial statement templates. These entries were developed by the Georgia Department of Education. Further detail can be obtained from <http://www.gadoe.org/Finance-and-Business-Operations/Financial-Review/Documents/INSTRUCTIONS%20FOR%20POSTING%20THE%20NET%20PENSION%20LIABILITY.pdf>

On the **District Wide Financial Statements**, record beginning deferred outflow of resources for fiscal year 2014 contributions based on GASB 71.

| | | |
|----------------------------------|---|---|
| Deferred Outflows of Resources | X | |
| Net Position – Beginning of Year | | X |

FINANCIAL PREPARATION CHECKLIST

On the **District Wide Financial Statements**, record beginning proportionate share of net pension liability. The amount being restated is the liability as of June 30, 2013.

| | | |
|--|---|---|
| Net Position – Beginning of Year | X | |
| Collective Proportionate Share of The Net Pension Liability | | X |

On the **District Wide Financial Statements**, record current year activity.

| | | |
|--|---|---|
| Deferred Outflow of Resources * | | |
| Deferred Inflow of Resources * | | |
| Pension Expense ** | X | |
| Proportionate Share of Collective Net Pension Liability | | |
| Deferred Outflows of Resources – District Contribution | | X |

* - The entry will include debits and credits to Deferred Outflows and Deferred Inflows, depending on the fluctuations in the actuarially determined pension liability. If the net investment decreases, the liability increases and deferred outflows increase. If the net investment increases, the liability decreases and the deferred inflows increase. Other possible changes to the liability include differences between expected and actual experience and changes in the assumptions related to the pension plan.

** - One consideration when posting the current year activity of the pension plan is how to post the pension expense. For school districts, pension expense is recorded using an object code, but presented on the district-wide financial statements at the functional level. The district can determine a reasonable allocation, or the district can use the percentages provided by GaDOE. To determine the percentages of pension expense allocated by function, GaDOE used the FY 2014 DE46 financial data submitted by each school district to determine the percentage of benefit expense posted to each functional category.

On the **District Wide Financial Statements**, record pension revenue and expense for state support. This entry is necessary to record the special funding situation with TRS.

| | | |
|--------------------|---|---|
| On-Behalf Revenue | X | |
| On-Behalf Expenses | | X |

Note: The entry provided by TRS is not the entry the School District needs to post. The School District will post the **difference** between the amount recorded at the fund level for TRS and the amount that the pension plan requires the School District to report.

On the **District Wide Financial Statements**, record deferred outflows of resources for contributions subsequent to measurement date.

| | | |
|--|---|---|
| Deferred Outflow of Resources | X | |
| Functional expense categories of the pension Expense during July 1, 2014 through June 30, 2015 | | X |

FINANCIAL PREPARATION CHECKLIST

☐ *Net Transfers*

As the governmental funds are combined to make up the Governmental Activities on the District-Wide Statements, the transfers between funds (General, Capital Projects, Debt Service, and Non-Major) need to be eliminated for reporting purposes. These entries may not eliminate transfers completely if there is activity between governmental, proprietary and/or fiduciary funds.

| | | |
|---------------|---|---|
| Transfers In | X | |
| Transfers Out | | X |

☐ *Record Liabilities Incurred but Not Reported*

If a claim is asserted and the probable loss is reasonably estimable, the expense and liability should be recognized in the financial statements. Claims liabilities, including IBNRs, should be based on the estimated ultimate cost of settling the claim, using past experience adjusted for current trends and any other factors that would modify past experience. Expenses and liabilities may be estimated through a case-by-case review of all claims, the application of historical experience to the outstanding claims, or a combination of these methods. Estimates of IBNR losses should be based on historical experience. Review information provided by your third party administrator for these amounts.

| | | |
|------------------------------------|---|---|
| Maintenance and Operation of Plant | X | |
| Food Services | X | |
| Claims Incurred but Not Reported | | X |

☐ *Break out Current Portion of Long Term Liabilities*

For all long term liabilities (capital leases, compensated absences, bonds, etc.), the current portion (due within 1 year) should be shown separately on the face of the financial statements. As such, reclassification entries should be made to the Long-Term Liabilities accounts to move the current portion to its line on the statements.

| | | |
|--|---|---|
| Long Term Liability – More than 1 year | X | |
| Long Term Liability – Due in 1 year | | X |

☐ Capital Leases

☐ Bonds

☐ Compensated Absences

☐ Other Long Term Debt

☐ *Reclassify Ending Net Position Balances as appropriate.*

Ensure the ending balances are stated appropriately. Use the following hints to assist in this process

- ☐ Ensure the balance for Net Investment in Capital Assets was increased by the amount of the bond proceeds that remain unspent (Use worksheet provided in the Audit Packet.)
- ☐ Ensure the balance for Restricted of Capital Projects has been reduced by the amount of the unspent bond proceeds.
- ☐ Ensure the balances for Restricted for Capital Projects and Debt Service have been adjusted for the accrual entries related to taxes (Property & SPLOST).

FINANCIAL PREPARATION CHECKLIST

- ☐ Ensure the balances for Restricted for Debt Service have been adjusted for the accrual entries related to Interest due through June 30th on Debt.
- ☐ Ensure the balances for Net Position, Unrestricted, have been adjusted for various items such as compensated absences, the capital outlay expenditures for uncapitalized items, the amortized bond issuance costs, the accrual entries related to Property Taxes, claims incurred but not reported, and any other entries necessary to adjust the fund statements to the district-wide statements.
- ☐ On the **District Wide Financial Statements**, the Net Position, Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position should be reconcilable back to the **Governmental Fund Statements** Fund Balance classifications of Nonspendable, Restricted, Committed, Assigned and Unassigned.

General Reporting Relationships between Fund Balance and Net Position

- ☐ Fund Balance - Nonspendable for Food Inventories is reported as Net Position –
Restricted for Continuation of Federal Program
- ☐ Fund Balance – Nonspendable for Consumable Supply Inventories is reported as Net Position –
Unrestricted
- ☐ Fund Balance - Nonspendable (for prepaid items) is reported as Net Position – Unrestricted
- ☐ All other Fund Balance - Restricted are reported as Net Position - Restricted
- ☐ Fund Balances - Committed, Assigned or Unassigned are reported as Net Position – Unrestricted

☐ ***Other Known Reclassification Entries***

The State Chart of Accounts maintained by GDOE does not include the most complete breakdown desired for reporting in the financial statements. As such, the following reclassification entries should be created to assist in consistently presenting the financial statements.

- ☐ Ensure Cash and Investments are broken down properly on the face of the statements. In line with the definitions outlined in the Notes to the Financial Statements, on the face of the statements, Investments should include any items with original maturities of more than 3 months (consider certificates of deposit maintained by the Board). Georgia Fund 1 should be reported as an investment, not as cash.
- ☐ Break out Federal Receivables from State and Other Receivables
- ☐ Break Accounts Payable into its components
 - ☐ Accounts Payable
 - ☐ Retainage Payable
 - ☐ Contracts Payable
 - ☐ Claims Payable

FINANCIAL PREPARATION CHECKLIST

- ☐ Review miscellaneous revenue and reclassify the account balance as appropriate
- ☐ If the Amended Formula Adjustment (Austerity Reduction) was not posted to Source 3124 when submitting to GDOE, this activity has been allocated to all functions, which may cause negative balances in the Other Operating Grants and Contributions column on Exhibit B. Using the drilldown functionality in the GDOE website, this activity needs to be reclassified to Instruction.
- ☐ The Local 5 Mill source 3140 was mapped directly to Instruction on the **District Wide Financial Statements**. Where appropriate, reclassify the Local 5 mills to the appropriate function (consider indirect cost).
- ☐ If GSFIC Revenue is allocated to Pupil Transportation functional code, a reclassification entry will be necessary to reallocate the Revenue.
- ☐ The Fund Balances on the **District Wide Financial Statements** will need to be reclassified between Net Investment in Capital Assets, Restricted and Unrestricted.
- ☐ ***Other Known Issues***
 - ☐ Ensure the “Pupil Transportation State Bonds” revenue item is correctly classified as Capital Grants and Contributions.
 - ☐ Ensure that Other Financing Sources and Uses other than Proceeds from Long-Term Debt (Bonds, Capital Leases, Other) are appropriately reflected on Exhibit B.
 - ☐ Ensure that tax revenue has been categorized properly between property tax, SPLOST, other, etc.
 - ☐ Ensure that GSFIC Receivables are only accrued for projects that have been appropriated. For instance, if a project is appropriated as of July 1, 2013, and allowable reimbursable expenditures were incurred prior to June 30, 2013, a Receivable cannot be accrued on the **Governmental Fund Statements** or the **District Wide Financial Statements** because the resources are not considered available. Please refer to Chapter 9 of GDOE’s Financial Management for Georgia Local Units of Administration handbook.